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Message Text

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PAGE 01 TIJUAN 00446 152002Z

11
ACTION ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 AGR-10

AGRE-00 PA-02 PRS-01 /084 W
---------- 128657
R 151830Z SEP 76
FM AMCONSUL TIJUANA
TO SECSTATE WASHDC 1539
AMEMBASSY MEXICO

UNCLAS TIJUANA 0446

E.O. 11652: N/A
TAGS: ECON
SUBJ: DEVALUATION DISRUPTS BAJA CALIFORNIA ECONOMY

THE FLOATING AND DEVALUATION OF THE PESO HAS DISRUPTED THE ECONOMY OF BAJA CALIFORNIA WHICH HAS TRADED ALMOST EXCLUSIVELY IN U.S. DOLLARS SINCE THE EARLY 1930'S..
THE DEVALUATION AND NEW CURRENCY REGULATIONS REQUIRING THAT ALL CONTRACTS, BUSINESS TRANSACTIONS, BANK ACCOUNTS AND SALARIES BE HANDLED IN PESOS BROUGHT ABOUT AN ALMOST IMMEDIATE DRY-UP OF PESOS IN CIRCULATION AND EMERGENCY MEASURES WERE TAKEN BY THE FEDERAL GOVERNMENT TO SUPPLY BAJA CALIFORNIA WITH 7.6 MILLION DOLLARS WHICH REPORTEDLY ARRIVED BY AIR LAST FRIDAY.

IN ADDITION TO THE SHORTAGE OF PESOS, THERE IS ALSO A SHORTAGE OF FOOD AND OTHER ESSENTIAL PRODUCTS. FOOD PREVIOUSLY PURCHASED IN THE UNITED STATES HAS BECOME TOO EXPENSIVE FOR MEXICANS TO BUY. A NEW BLACK MARKET HAS DEVELOPED AND SOME MARKETS HAVE REPORTEDLY BEEN CLOSED BY THE SECRETARIA DE INDUSTRIA AND COMERCIO FOR PRICE ABUSES. ALTHOUGH SHORTAGES ARE REPORTEDLY NOT YET SERIOUS, THEY MIGHT BECOME SERIOUS IN THE NEAR
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PAGE 02 TIJUAN 00446 152002Z

FUTURE IF STEPS ARE NOT TAKEN TO RESUPPLY. ATTEMPTS

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006

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TO RESUPPLY HAVE BEEN FRUSTRATED BY ROAD DAMAGE BETWEEN MEXICALI AND TIJUANA CAUSED LAST WEEK BY A TROPICAL STORM. AMERICANS COMING HERE TO PURCHASE AT MORE FAVORABLE PRICES HAVE NOT IMPROVED THE SUPPLY SITUATION.

THE U.S. SIDE OF THE BORDER HAS ALSO SUFFERED AS A RESULT OF THE DEVALUATION. STORE OWNERS CLAIM LOSSES OF FROM 50 TO 80 PERCENT SINCE THEIR MEXICAN CLIENTELE CAN NO LONGER AFFORD TO MAKE THEIR PURCHASES IN THE UNITED STATES.
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US Department of State
EO Systematic Review
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